

miles. It can be developed to the advantage of this country and to its economy without disturbing hardly anything that far north.

At a time when the national economy is struggling, if you can provide any kind of a job, anything that would contribute to the rebuilding of that economy and the infrastructure of it, that should not be denied.

What do we hear? We hear how much we need an energy policy, but we see no action in the Senate. We hear the speeches about a stimulus package, yet no action is forthcoming. We talk about conservation. It has been a foregone conclusion of the task force that was put together under the chairmanship of the Vice President, when they look at our energy situation and assess it, that they will conclude we should then take the proper actions so we can rely on our own ability to provide the energy for our country. The conclusion was drawn that we cannot conserve our way out of this one.

This past weekend, I looked at the area with probably the greatest utilization of wind power that we have in this country. Yet it only contributes less than 1 percent to the Nation's need for electricity. That will not work.

I can tell you what spurs conservation faster and more efficiently than any rule, law, or regulation that the Government could impose: High prices. All you have to do is ask those who live in California. That is what spurs conservation. That is what spurs the imagination and the inventiveness of this society. When the cost goes high from the lack of a supply of energy, that spurs us to deal with it.

So I say, yes, maybe the unions oppose the Lott amendment. They would not oppose the Lott amendment if it was a stand-alone, though. It just happens to be on a railroad retirement act. That act has the support of over 70 Senators in this body.

So I challenge my colleagues and I challenge Americans, when Canada develops their energy supply and a way to deliver it to their people, keeping their energy costs so low that they are a very strong competitor in the global market, are we denied that? We have to look at ourselves and say, why? Based on science? I do not think so. Based on technology? I know that is not true. So we have to conclude the reasons lie in other areas.

As we hear this debate about going forward, I want Americans to understand and realize this about the development of our energy resources. Conservation as we defined it and as it has always been defined is the wise use of a natural resource. Why can't this move forward? It would but for a few who are opposed because of other reasons, other than science and technology.

So I hope the Lott amendment can be approved and we can move forward on this issue, finish our work on appropriations, finish our work on the stimulus, and go home for the holidays. I know there are those who want to go

home a little bit earlier. I am not one of those who say we should leave with our work undone because the last time I looked, I think I get a check for the month of December. So we might as well work if that be the choice of this body.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Utah is recognized.

RAILROAD RETIREMENT REFORM

Mr. HATCH. Mr. President, I rise today in strong support of the Railroad Retirement and Survivors' Improvement Act. This is good, common sense legislation that will lower the program's costs and provide greatly improved benefits to thousands of Utahns and hundreds of thousands of Americans who are spending or have spent their working careers in the railroad industry.

With an impressive 73 Members joining Senator BAUCUS and me as cosponsors of this bill, and a vote on passage of 384-to-33 in the House earlier this year, this legislation enjoys tremendous support of our colleagues in both Chambers and on both sides of the aisle.

Other supporters of this bill have already spoken at length about the features of the bill, so I would like to focus my remarks today on responding to some of the criticisms made last week by a few of our colleagues who oppose this legislation.

Specifically, during last week's debate on this bill, my colleague and friend, the senior Senator from Texas, spoke at length about what he refers to as the "pilfering" of the Railroad Retirement Account that he alleged would take place under this bill. While I agree wholeheartedly with the Senator on some of his statements, I could not disagree more with his suggestion that this legislation is some kind of underhanded attempt at wrongdoing by the retirees, workers, and employers in this industry.

Let me first make clear that I agree with the Senator in his conviction that vast improvements would be made by changing the rules for the investment of Railroad Retirement assets. Because of the long-standing requirement that those assets can only be invested in Government securities, the railroad industry's retirement plan has been far less efficient than those in other industries.

As a result, the rail industry's contributions to its pension plan are far higher than in other industries. This legislation would eliminate that limitation and allow the investment of assets in the stock market, as well as in Government securities. Senator GRAMM has stated that this would be a good change, and I am of the same mind. I agree with him on that.

I am also in full agreement with the Senator when he said that the assets of the Railroad Retirement system are

the pension contributions of rail workers, retirees, and employers, as well as the earnings on those contributions. However, I am perplexed when Senator GRAMM alleges that, under this bill, these contributors would be "pilfering" their own contributions.

I also take exception to the suggestion that the use of the increased investment returns projected under this bill is inappropriate. Because Railroad Retirement account balances will be less under this legislation than they would under current law, even with greater investment returns, Senator GRAMM concludes that there must be "pilfering" going on. This analysis is highly misleading.

It assumes that the all balances projected under current law are necessary for the fiscal health of the system, and that anything less will subject the system to great peril. The reality is that, while account balances will decrease for a time under the new legislation, the Railroad Retirement Account is projected by the Railroad Retirement actuary to remain solvent for the next 75 years.

Last Friday, Senator GRAMM used a chart that helped tell the story that he wanted to tell. It was a very nice chart, but the chart was somewhat truncated and failed to give the full picture. Let's look at why reducing the long term build up is neither "pilfering" or bad business economics.

As you can see, this is the trust balance that will remain strong under the Railroad Retirement program.

Under current law, the Railroad Retirement Board actuary projects that the fund balance by 2074—this red line on the top—will grow to \$702.8 billion as of 2074 under Employment Assumption II. Benefit obligations for that year would be approximately \$15 billion. This is a ratio of trust fund reserves to benefits of almost 47 years of benefits. No wonder the industry wants to develop a more rational funding approach.

Let me point you to chart No. 2.

Under Employment Assumption I, the more optimistic of the two assumptions most typically used to measure the system, the point gets even more dramatic. In this case, the actuary projects that the fund balance by 2074 will grow to \$1.5 trillion. That is trillion with a "T."

Benefit obligations under this more optimistic employment assumption would increase, of course—more workers equals more retirees. The benefit obligation grows to approximately \$21 billion. Under this employment assumption, the ratio of reserves to benefits expands to more than 71 times. Again, it is no surprise why the industry is working to develop a more rational funding approach.

As you can see by the blue line, if we pass this legislation, this would be the balance under the current legislation—the balance that we would be getting under this compared to current law, which means the retirees would not be

getting nearly the benefit, nor will the industry be getting nearly the benefit than they could with a more rational, meaningful approach towards a pension.

Now, why would these balances be adequate but lower than now projected, if we passed this bill? Is it because of "pilfering?" No, it is because the bill provides for modest, judicious tax cuts and overdue improvements in retiree benefits.

Under current law, the rail industry contributes three times more to Railroad Retirement than employers in other industries contribute to retirement programs. Under current law, widows of retirees have their benefits reduced by two-thirds upon the death of their spouses. Under current law, rail employees must wait 10 years to vest rather than the usual 5 or even 3 years common in other industries.

This legislation would simply reduce payroll taxes on rail employers to bring its contributions more in line with other industries—although at more than 13 percent it would still be much higher than the funding levels of other industries—and make improvements in vesting, early retirement and widows' benefits.

Under this bill, unnecessary, enormous surpluses that would occur under current law, indicated by the red line, would be avoided, while maintaining more than adequate reserves in the system, which would be what this bill will do while taking care of widows, among others. The industry has long been recognized as the most capital intensive component of the industrial segment of the U.S. economy, according to studies done by sources ranging from Fortune Magazine to the Department of Commerce. Under this legislation, the industry would be better able to deploy its scarce investment capital.

Senator GRAMM and others have repeatedly asserted that the Railroad Retirement system will run out of money if this bill is adopted and the Government will have to make up the shortfall. As I mentioned a moment ago, the Railroad Retirement actuary has reviewed this bill and found that under it, as under current law, the system is solvent over the next 75 years under both Assumption I and Assumption II. The assumptions behind this projection were accepted by the CBO which used them for its analysis.

Moreover, the bill provides, for the first time, an automatic tax schedule that will raise taxes on rail employers if pension fund reserves drop below 4 years of benefits. This will require no action by Congress.

Senator GRAMM and his staff must have had a lot of fun calculating what tax rates might be at some point in the future to get the fund balances back to current-law levels under the bill. The reality is, however, we should not be trying to build up reserves that are between 47 and 71 times annual benefit obligation outlays. That makes no sense.

But Senator GRAMM declares that the industry will try to avoid higher tax rates that may even be triggered by the formula and, as a result, the Government will have to step in. In this regard, I think past history is instructive. In the past, when financial problems have arisen, Congress has chosen to raise taxes and reduce benefits, rather than to provide bailouts for this industry.

Thus, even if Senator GRAMM's doomsday scenario comes true, it is the plan participants who are likely to pay, not the Federal Government. The industry knows this as well. This is why the railroads want the opportunity to manage this system, along with taking on more responsibility.

I also want to respond to one other misunderstanding that has arisen in this debate—that by lowering the retirement age for Railroad Retirement to age 60, the bill gives railroad workers a benefit no one else has, and that this benefit conflicts with the increase in the Social Security eligibility age.

First, the earlier retirement age applies only to workers who have 30 years of service in the rail industry. Second, the normal retirement age for Tier 1, the Social Security counterpart of Railroad Retirement, is not affected by this bill. It will rise to age 67 just as the Social Security retirement age will. Third, paying the cost of Social Security for early retirees until they reach normal Social Security retirement age is a feature found in private sector pension plans.

These are known as "bridge" plans. Like these plans, the private portion of Railroad Retirement—Tier 2—pays the entire cost of this early retirement option, just as it currently does for workers with 30 years of service at age 62.

Keep in mind this is a dangerous industry in which to work. It is not uncommon for employees in the railroad industry who are working on the line to never be able to get their full 30 years in because of the dangers and the accidents that occur as a result of this industry. It is a tough industry. I used to represent railroad workers in some of these cases. What happened to some of them was horrendous. Many of them died trying to do their job. Others were mutilated. Legs were cut off, and arms were lost. Families were devastated.

These things do happen. It is not comparable to most other pension-backed industries.

In conclusion, you may call this an opportunity for the rail industry to invest capital in infrastructure rather than excessive account surpluses. You may call it an opportunity to improve benefits for widows and for retirees who work 30 years in work that is often arduous and dangerous. You may call it an opportunity to bring Railroad Retirement investment practices into the modern era. But don't call it "pilfering."

I know a lot about this industry. I know what a difficult industry it is. I know there are things that are wrong

with the industry. I know there are things such as feather-bedding in this industry that have existed for a long time. But there are also a lot of loyal, decent, honorable people working in these dangerous jobs to keep America's goods and services moving across this country.

I can't imagine why we would not want to help these widows who have such a drastic automatic reduction in their benefits once their husbands pass on. I think in most cases the husband is going to predecease the wife.

That is part of what we are trying to do here. Like everything else, nothing is perfect around here. And this bill is not perfect. But it is a rational and reasonable attempt to allow this industry to invest in capital infrastructure so that it can keep going and so that widows and pensioners can be taken care of.

This is an industry that we have to keep going. An awful lot of bulk transfers occur on our railroads in this country. We know there is going to have to be more investment as we upgrade high-speed lines and other effective approaches to transport materials, manufactured products, and other things throughout our country.

This is a great industry. It is an important industry. The people who work in it deserve the best we can give them. I do not see the Government paying for the liability that could arise under the most drastic pessimistic scenarios, as have been painted by some in this Chamber: Not paying for it themselves. And I believe Congress will see that that occurs. It is up to the industry to make sure they never have to do more than what is reasonable and rational under the circumstances by making sure that this pension program is viable, that it works, and that it takes care of these people who need to be taken care of. Mr. President, I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from North Dakota.

Mr. DORGAN. Mr. President, are we in morning business?

The ACTING PRESIDENT pro tempore. We are in morning business.

ECONOMIC STIMULUS, A COMPREHENSIVE ENERGY POLICY, AND FAST TRACK TRADE AUTHORITY

Mr. DORGAN. Mr. President, first of all, I listened to the remarks of my colleague from Utah and thought they were interesting remarks, on point, and I appreciate them.

I have heard some comments from colleagues this morning who are repeating things we have heard previously in this Senate Chamber. I want to comment about a couple of them and then talk about a vote that is occurring in the other body late this week and on which we expect to vote in the Senate at some point. It is a vote on something called fast-track trade authority.